



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MONROE COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

MONROE COUNTY JERRY GEE, COUNTY SHERIFF CALENDAR YEAR 1999 FEE AUDIT

Type of Opinion: Unqualified

Going Concern Comment: None

New Findings: None

- Prior Year Comments Appearing in CY 1999 Report:
- Former Sheriff Beverly McClendon Should Eliminate The \$77,351 Deficit In His Official Fee Account
- Former Sheriff Beverly McClendon Should Settle All Unpaid Obligations And Seek Refunds For All Overpayments

Liabilities:

Current Sheriff: None

Former Sheriff:

- As of December 31, 1998, the former Sheriff Beverly McClendon had unpaid obligations of \$218,436.
- \$160,275 of tax account money that should be transferred from the former Sheriff's fee account to the former Sheriff's tax account. This money consists of a refund for overpayment of tax commissions, bank service charges, interest, and tax receipts deposited to the former Sheriff's fee account.
- \$27,700 of borrowed money
- \$411 of deputy salary
- \$28,970 of Sheriff's salary for calendar years 1994, 1995, and 1996
- \$1,080 of Carry Concealed Deadly Weapon license fees

Receivables:

Current Sheriff: None

Former Sheriff:

- As of December 31, 1998, the former Sheriff Beverly McClendon had receivables of \$141,465.
- The former Sheriff's fee account is due \$141, 465 from the former Sheriff's tax account. This money consists of interest, advertising fees, tax commissions, and miscellaneous refunds.

Commitments and Contingencies:

- In April 1998, the Monroe County Attorney, on behalf of the Monroe County Fiscal Court and Monroe County Taxing Districts, filed a lawsuit against former Monroe County Sheriff Beverly McClendon and his bonding company, Ohio Farmers Insurance Company. This lawsuit seeks to recover the deficit of \$180,726 in the former Sheriff's tax account. On March 31, 1999, this lawsuit was amended to include the deficit of \$64,973 in the former Sheriff's fee account as of December 31, 1997. This lawsuit is currently pending in Monroe County Circuit Court.
- The deficit in the former Sheriff's fee account is \$77,351 as of December 31, 1998.

Related Party Transaction:

Ronnie Hollinsworth is a magistrate. He is half owner of Travco Oil. The sheriff's office purchased gasoline from Travco Oil. The office spent \$10,826 at Travco Oil during calendar year 1999. Sheriff personnel use Travco Oil to purchase gasoline because Travco Oil is the only gas station in town that is open twenty-four hours. This amount is material; however, the transactions with Travco Oil do not appear to violate Monroe County's ethic code.

Change In Administration:

Jerry Gee replaced Beverly McClendon as Monroe County Sheriff on January 4, 1999.

Additional Information: We commend Monroe County Sheriff Jerry Gee on the fine manner in which he maintained his financial statements and records. There were no material audit findings for Sheriff Jerry Gee.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Russell Young, Monroe County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Honorable Beverly McClendon, Former Monroe County Sheriff

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Monroe County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Russell Young, Monroe County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Honorable Beverly McClendon, Former Monroe County Sheriff

Members of the Monroe County Fiscal Court

- We commend Monroe County Sheriff Jerry Gee on the fine manner in which he maintained his financial statements and records. There were no material audit findings.

Based on the results of our prior audits, we have presented comments and recommendations, included herein, which discusses the following areas of noncompliance for former Sheriff Beverly McClendon.

- Former Sheriff Beverly McClendon Should Eliminate The \$77,351 Deficit In His Official Fee Account
- Former Sheriff Beverly McClendon Should Settle All Unpaid Obligations And Seek Refunds For All Overpayments

In accordance with Government Auditing Standards, we have also issued a report dated May 17, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
May 17, 2000

MONROE COUNTY
JERRY GEE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 5,591	
Cabinet For Human Resources	<u>346</u>	\$ 5,937

Circuit Court Clerk:

Sheriff Security Service	\$ 3,380	
Fines and Fees Collected	<u>1,370</u>	4,750

Fiscal Court		13,610
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County Clerk - Delinquent Taxes		1,204
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Commission On Taxes Collected		138,905
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Fees Collected For Services:

Advertising Fees	\$ 1,090	
Auto Inspections	6,255	
Accident and Police Reports	370	
Serving Papers	11,105	
Carrying Concealed Deadly Weapon Permits	1,695	
Sheriff's Add-On Fees - 10% of Tax and Penalty	<u>5,400</u>	25,915

Other:

Dog Licenses	\$ 94	
Transfer from Drug Fund	450	
Miscellaneous	<u>146</u>	690

Interest Earned		4,194
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Borrowed Money:

Bank Note		<u>32,000</u>
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Gross Receipts (Carried Forward)	\$	<u>227,205</u>
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MONROE COUNTY
 JERRY GEE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward)	\$	227,205
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Disbursements

Operating Disbursements and Capital Outlay:

Payments to State-

Carrying Concealed Deadly Weapon Permits

License Fees	\$	1,040
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Personnel Services-

Deputies' Gross Salaries	66,100
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Contracted Services-

Advertising	5,665
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Vehicle Maintenance and Repairs	5,950
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Transport of Prisoners	454
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Materials and Supplies-

Office Materials and Supplies	1,598
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Uniforms	151
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Law Enforcement Equipment	7,505
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Auto Expense-

Gasoline	10,843
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Other Charges-

Conventions and Travel	1,050
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Postage	3,122
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Bond	305
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Dog License	57
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Carrying Concealed Deadly Weapon Permits Refunded	120
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Reimbursement for Small Claims	20
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Miscellaneous	113
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Capital Outlay-

Vehicles	7,400
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Debt Service:

Note	<u>32,000</u>
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Total Disbursements	<u>143,493</u>
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Net Receipts (Carried Forward)	\$	83,712
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MONROE COUNTY
 JERRY GEE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Net Receipts (Brought Forward)		\$	83,712
Less: Statutory Maximum	\$	53,639	
Training Allowance		<u>688</u>	<u>54,327</u>
Excess Fees Due County for Calendar Year 1999		\$	29,385
Payments to County Treasurer:			
March 16, 2000	\$	53,375	
June 14, 2000		59	
Less: Refund to Sheriff for Overpayment of Excess			
Fees - May 17, 2000		<u>(24,049)</u>	<u>29,385</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided a surety bond which named the Sheriff as beneficiary/obligee on the bond.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 3. Drug Fund

The Monroe County Sheriff's office established a drug fund in February 1993 with funds received as the result of a drug investigation. These funds were to be used for drug enforcement and education only and are not available for excess fee purposes. As of December 31, 1998, the drug fund had a balance of \$3,923. On February 18, 1999, the former Sheriff transferred \$3,923, to the succeeding Sheriff, Jerry Gee. During 1999, there were receipts of \$243. Disbursements totaled \$3,706 and transfers to the fee account totaled \$450. As of December 31, 1999, the drug fund had a balance of \$10.

Note 4. Related Party Transaction

Ronnie Hollinsworth is a magistrate and half owner of Travco Oil. The Sheriff's office purchased \$10,826 of gasoline from Travco Oil during calendar year 1999. Sheriff's personnel use Travco Oil to purchase gasoline because they are the only gas station in town that is open twenty-four hours. These transactions with Travco Oil do not violate the Monroe County ethics code.

Note 5. Litigation

In April 1998, the Monroe County Attorney, on behalf of the Monroe County Fiscal Court and Monroe County Taxing Districts, filed a lawsuit against former Monroe County Sheriff Beverly McClendon and his bonding company, Ohio Farmers Insurance Company. This lawsuit seeks to recover the deficit of \$180,726 in the former Sheriff's tax account. On March 31, 1999, this lawsuit was amended to include the deficit of \$64,973 in the former Sheriff's fee account as of December 31, 1997. This lawsuit is currently pending in Monroe County Circuit Court.

The deficit in the former Sheriff's fee account has increased to \$77,351 as of December 31, 1998.

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COMMENTS AND RECOMMENDATIONS

MONROE COUNTY
BEVERLY McCLENDON, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

As of May 17, 2000

STATE LAWS AND REGULATIONS:

- 1) Former Sheriff Beverly McClendon Should Eliminate The \$77,351 Deficit In His Official Fee Account
-

Based on available records, former Sheriff McClendon is responsible for a \$77,351 deficit in his official fee bank account as of December 31, 1998. We recommend former Sheriff Beverly McClendon eliminate this deficit with a deposit of personal funds. We further recommend that, once the deficit is eliminated, the remaining \$28,970 salary due the former Sheriff for 1994, 1995, and 1996 be paid subject to appropriate withholdings.

- 2) Former Sheriff Beverly McClendon Should Settle All Unpaid Obligations And Seek Refunds For All Overpayments
-

The former Sheriff's "Schedule of Excess Of Liabilities Over Assets" (Appendix A) reflects that as of December 31, 1998, the former Sheriff had \$141,465 of receivables. The former Sheriff's fee account is due \$141,465 from the former Sheriff's tax account. This money consists of interest, advertising fees, tax commissions, and miscellaneous refunds. In addition, as of December 31, 1998, the former Sheriff owed \$218,436 in unpaid obligations, including \$160,275 of tax account money that should be transferred from the former Sheriff's fee account to the former Sheriff's tax account. This money consists of a refund for overpayment of tax commissions, bank service charges, interest, and tax receipts deposited to the former Sheriff's fee account. We recommend that former Sheriff Beverly McClendon pay all outstanding obligations and transfer \$141,465 from his tax account to his fee account. When these recommendations are enacted and \$77,351 in personal funds are deposited to the former Sheriff's official fee account, funds will be available for all unpaid obligations.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None

PRIOR YEAR:

In the prior year audit report, we made the following comment and recommendation that has not been corrected and has been commented on in the current audit report:

- The Former Sheriff Should Not Have A Deficit In His Official Fee Account

MONROE COUNTY
BEVERLY McCLENDON, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
As of May 17, 2000
(Continued)

PRIOR YEAR: (Continued)

In the prior year audit report, we made the following comments and recommendations that are no longer applicable because on January 4, 1999, Beverly McClendon was replaced as Sheriff by Jerry Gee:

- The Former Sheriff Should Have Improved Recordkeeping Procedures And Spent Public Funds Only For Necessary Expenses Of His Office
- The Former Sheriff Should Have Accounted For And Reported All Vehicle Inspection Fees
- The Former Sheriff Should Have Issued Receipts For All Money Collected
- The Former Sheriff Should Remit Proper Carry Concealed Deadly Weapon Licenses Fees
- The Former Sheriff Should Have Maintained And Implemented Proper Payroll Records And Procedures
- The Former Sheriff Should Have Maintained Proper Records And Implemented Proper Accounting Procedures
- The Former Sheriff Should Have Maintained Receipts Ledger And Disbursements Ledger
- The Former Sheriff Should Have Prepared And Published An Annual Settlement

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Russell Young, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Monroe County Sheriff's financial statement as of December 31, 1999, and have issued our report thereon dated May 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Russell Young, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 17, 2000

FORMER SHERIFF'S
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of December 31, 1998

MONROE COUNTY
 BEVERLY McCLENDON, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of December 31, 1998

Assets

Cash in Bank	\$	128
Deposits in Transit		213
Receivables:		
Amounts Due From Tax Account-		
Advertising Fees - 1992 Taxes	\$	65
Advertising Fees - 1993 Taxes		68
Advertising Fees - 1996 Taxes		157
Interest - 1992 Taxes		1,676
Interest - 1993 Taxes		2,186
Interest - 1995 Taxes		1,034
Interest - 1996 Taxes		1,380
Commissions Due-		
1990 Taxes		105
1993 Taxes		11,274
1994 Taxes		60,201
1995 Taxes		42,383
1996 Taxes		19,191
Tax Refunds Paid From Fee Account		370
Fee Receipts Deposited to Tax Account		1,375
		<hr/>
Total Receivables		<hr/> 141,465
Total Assets	\$	<hr/> 141,806

Liabilities

Outstanding Checks	\$	721
Unpaid Obligations:		
State Treasurer-		
Carry Concealed Deadly Weapons License Fees-		
Calendar Year 1997	\$	840
Calendar Year 1998		240

MONROE COUNTY
 BEVERLY McCLENDON, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 As of December 31, 1998

Liabilities (Continued)

Unpaid Obligations: (Continued)

Amounts Due to Tax Account-

Refund for Overpayment of Tax Commissions-	
1992 Taxes	\$ 8,202
Bank Service Charges - 1993 Taxes	86
Bank Service Charges - 1994 Taxes	103
Bank Service Charges - 1996 Taxes	18
Interest - 1994 Taxes	22
1995 Tax Receipts Deposited to Fee Account	1,013
1996 Tax Receipts Deposited to Fee Account	150,831
Salary Due Sheriff From 1994 Fee Account	12,456
Salary Due Sheriff From 1995 Fee Account	7,742
Salary Due Sheriff From 1996 Fee Account	8,772
Thomas Copass - Net Deputy Salary	411
Borrowed Money - Deposit Bank Of Monroe County	<u>27,700</u>

Total Unpaid Obligations	<u>\$ 218,436</u>
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Total Liabilities	<u>\$ 219,157</u>
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Total Fund Deficit as of December 31, 1998	<u><u>\$ (77,351)</u></u>
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